

Message Text

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ACTION SP-02

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FM AMEMBASSY DAR ES SALAAM
TO SECSTATE WASHDC 9163

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TAGS: ECON, EAID, TZ
SUBJECT: FOREIGN ECONOMIC POLICY TOWARD AFRICA

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1. FOLLOWING ARE THE EMBASSY'S COMMENTS ON DISCUSSION PAPER
CONTAINED REFTEL. WE APPLAUD THE OVERALL EFFORT AND INITIATIVE
THAT THE PAPER REPRESENTS IN DEVELOPING A SPECIFIC FOREIGN
ECONOMIC POLICY TOWARD THE CONTINENT.

2. THIS POST SUPPORTS PROPOSALS FOR SELECTIVELY INCREASING
DEVELOPMENT ASSISTANCE, TRADE AND INVESTMENT IN AFRICA.
THROUGHOUT AFRICA, THE USG IS BUT ONE OF MANY DONORS. FOR
EXAMPLE, IN FY 1978/79 TANZANIA EXPECTS TO RECEIVE OVER
\$450 MILLION IN AID AS DIRECT CONTRIBUTION TO THE CAPITAL
BUDGET, OF WHICH THE US BILATERAL CONTRIBUTION WILL BE ABOUT
5 PERCENT OF THE TOTAL. ALTHOUGH THIS PERCENTAGE DOES NOT
REFLECT THE SUBSTANTIAL ADDITIONAL INDIRECT US CONTRIBUTION
THROUGH INTERNATIONAL AGENCIES, IT IS NEVERTHELESS SOMEWHAT
PRESUMPTUOUS FOR THE USG ON ITS OWN TO THINK IN TERMS OF AN
INTEGRATED DEVELOPMENT STRATEGY FOR A REGION OR FOR A SPECIFIC
COUNTRY LIKE TANZANIA. IT IS THUS MORE REALISTIC TO FOCUS OUR
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EFFORTS, WITHIN OVERALL ACTIVITY OF OTHER MAJOR DONORS SUCH AS
THE WORLD BANK, EEC AND THE SCANDINAVIAN COUNTRIES, UPON
THOSE SECTORS IN WHICH THE US HAS UNIQUE, INTERNATIONALLY
RECOGNIZED CAPABILITIES. AS DEPARTMENT'S PAPER SUGGESTS,
ROADBUILDING, WATER RESOURCE MANAGEMENT, AGRICULTURE,
AND MANPOWER TRAINING ARE AMONG THOSE CAPABILITIES.

3. WE AGREE WITH PARA. 7 REFTTEL THAT A FUNDAMENTAL PROBLEM THAT THE US COULD WELL ADDRESS IS INFRASTRUCTURE. WE HAVE LONG ARGUED FOR MORE FLEXIBILITY IN AID'S PERCEIVED CONGRESSIONAL MANDATE (SEE 77 DAR 4285). WEAK TRANSPORTATION INFRASTRUCTURE IS A SERIOUS PROBLEM IN COUNTRIES LIKE TANZANIA AND ONE WHICH WILL STYMIE MANY BASIC HUMAN NEEDS PROJECTS. IT IS HARDLY VALUABLE TO TEACH THE SMALL FARMER TO GROW MORE FOOD IF THE ROADS AND RAILWAYS ARE UNABLE TO CARRY THE HARVEST TO MARKET. WHILE WE DO NOT FAVOR LARGE CAPITAL PROJECTS, WE THINK THAT ASSISTANCE IN RURAL ROADS, SUCH AS THE PROJECT PROPOSED IN OUR FY 80 BUDGET, CAN BE A VALUABLE CONTRIBUTION. TANZANIANS LOOK TO US FOR ASSISTANCE IN THIS FIELD, AND NEEDS ARE OBVIOUS. SUCH FLEXIBILITY SHOULD EXTEND TO ASSISTANCE IN OPENING UP NEW POTENTIAL FARMLANDS. IT IS INEXCUSABLE TO IGNORE EXISTENCE OF MILLIONS OF UNDEVELOPED ACRES THAT COULD BENEFIT LARGE NUMBERS OF PEOPLE SIMPLY BECAUSE DOCTRINE DOES NOT ALLOW US TO PROVIDE ACCESS, THE FIRST PREREQUISITE TO STIMULATING DEVELOPMENT. MOREOVER, IN A "GATEWAY" COUNTRY SUCH AS TANZANIA ANY IMPROVEMENT TO MAJOR ROADS, RAILWAYS, PORTS, ETC., WILL BE OF BENEFIT ALSO TO ITS LANDLOCKED NEIGHBORS.

4. SIMILARLY, THIS MISSION SUPPORTS THE CONCEPT OF ASSISTANCE FOR LOCAL COST FINANCING TO LDCS SUCH AS TANZANIA, WHICH ARE UNABLE TO PROVIDE SUFFICIENT LOCAL REVENUE. THIS MISSION HAS BEEN USING REVENUE GENERATED BY PL 480, AND AS EXPLAINED IN GORM, IS REQUESTING \$7.5 MILLION IN FY 80 FOR LOCAL COST LIMITED OFFICIAL USE

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FINANCING. TANGOV HAS CONSISTENTLY UTILIZED THESE RESOURCES AS INCREMENTAL FUNDING FOR DEVELOPMENT PROJECTS, NOT IN LIEU OF THEIR OWN PLANNED FUNDING LEVELS. IN SHORT, BOTH CONTRIBUTIONS HAVE BEEN CONSISTENTLY APPLIED.

5. WHILE TANZANIA IS FORTUNATE IN HAVING A VARIETY OF AGRICULTURAL COMMODITIES AS ITS EXPORT EARNING BASE, IT IS STILL EXPERIENCING SEVERE BALANCE OF PAYMENTS PROBLEMS AS A RESULT OF PRICE FLUCTUATIONS IN THESE COMMODITIES. TANZANIA, WITH ASSISTANCE FROM THE WORLD BANK AND OTHER DONORS, IS ALREADY ACTIVELY ENGAGED IN ADDING MORE VALUE TO ITS AGRICULTURAL EXPORTS. AT THIS STAGE, WE THINK THAT ISSUES SUCH AS EXPORT DIVERSIFICATION AND STABILIZATION ARE BETTER LEFT TO INDIVIDUAL COMMODITY AGREEMENTS AND TO OTHER DONORS ALREADY INVOLVED. TANZANIA NEEDS AND DESIRES RESEARCH FOR IMPROVED PRODUCTION OF CASH CROPS. IT LOOKS TO A COMMON INTEGRATED FUND INCLUDING THE PROPOSED SECOND WINDOW AS A WAY OF OBTAINING ASSISTANCE AND LEVERAGE IN THIS AREA. FROM THE AFRICAN POINT OF VIEW, US AGREEMENT TO A COMMON FUND ALONG THE LINES ENVISAGED BY THE GROUP OF 77 AND A CONTRIBUTION TO THE SECOND WINDOW WOULD BE THE MOST BENEFICIAL THING WE COULD DO IN THIS AREA AND WOULD BE A SIGNIFICANT SIGNAL THAT THE US IS PREPARED TO RESTRUCTURE ITS

ECONOMIC RELATIONS WITH AFRICA.

6. WHILE OPPORTUNITIES FOR FOREIGN PRIVATE INVESTMENT IN LDCS, PARTICULARLY SOCIALIST ONES LIKE TANZANIA, ARE LIMITED, THE US COULD DO MORE THROUGH THE DEPARTMENT OF COMMERCE, AS WELL AS OPIC, TO ENCOURAGE AMERICAN INVESTMENT IN AFRICA.

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7. SHORTAGE OF TRAINED MANPOWER IS CERTAINLY ONE OF THE MAJOR FACTORS INHIBITING DEVELOPMENT, AND USAID IN TANZANIA HAS BEEN GREATLY EXPANDING MANPOWER TRAINING AIMED AT MEETING LONG-TERM NEEDS AS WELL AS THOSE OF SPECIFIC AID PROJECTS. WE SEE NO SIMPLE OR QUICK ANSWER TO BUILDING UP THE NECESSARY HUMAN CAPITAL, BUT US IS BETTER EQUIPPED THAN MOST TO PROVIDE SUCH TRAINING. WE ARE ALSO CONVINCED OF MERITS OF FINANCING RECURRENT PROJECT COSTS, BUT DOUBT THAT CONGRESS WILL EVER BE MOVED TO LIBERALIZE US POLICY MUCH IN THIS REGARD.

8. US SHOULD SUPPORT AND ENCOURAGE GREATER REGIONAL COOPERATION, BUT IT MUST WAIT UNTIL THE COUNTRIES THEMSELVES HAVE MADE THE NECESSARY INITIAL COMMITMENTS. OUR ROLE IN SUCH PROGRAMS WILL BE LIMITED IF, AS SEEMS THE CASE, THE US IS NOT PREPARED TO CONTRIBUTE TO CAPITAL PROJECTS SUCH AS THE KAGERA RIVER BASIN SCHEME INVOLVING TANZANIA, RWANDA AND BURUNDI, OR THE PROPOSED EEC REGIONAL TRANSPORT SCHEME INVOLVING THESE AND OTHER LANDLOCKED COUNTRIES.

9. USAID TANZANIA RECENTLY DEVELOPED A PROPOSAL REGARDING ALTERNATE ENERGY USES, INCLUDING SOLAR, WATER, AND WIND, THAT COULD BENEFIT SIGNIFICANTLY FROM A US ASSISTANCE POLICY TO

STIMULATE INDIGENOUS DEVELOPMENT AND PRODUCTION. IN THIS
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FIELD US SHOULD MOVE QUICKLY OUT OF RESEARCH INTO ACTUAL
PRODUCTION.

10. IN SUM, THE EMBASSY ENDORSES DISCUSSION PAPER'S
CONCLUSIONS AND WOULD ONLY EMPHASIZE THAT A GROWING ECONOMIC
RELATIONSHIP WITH AFRICA SHOULD INVOLVE A) CONSTANT ANALYSIS OF
GOALS AND OBJECTIVES COUNTRY BY COUNTRY, OF COSTS AND BENEFITS,
AND A REALISTIC ASSESSMENT OF WHAT SHOULD BE THE US ROLE WITHIN
THE TOTAL INTERNATIONAL EFFORT AND OF MEANS TO MAXIMIZE THE
ECONOMIC IMPACT, AND B) FLEXIBILITY TO ALLOW SUPPORT FOR
INFRASTRUCTURE PROJECTS, WHERE THEY CONSTITUTE AN INDISPENSABLE
PREREQUISITE TO MEETING OTHER BASIC NEEDS OF THE POOR MAJORITY
THAT FALL MORE PROPERLY WITHIN CONGRESSIONAL MANDATE ON
DEVELOPMENT ASSISTANCE.

11. MISSION WOULD BE PLEASED TO PROVIDE GREATER PROGRAM DETAIL
INFERRED ABOVE, AS REQUIRED TO SUPPORT YOUR PRESENTATION.
SPAIN

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